Written Statement

Of

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Good Afternoon, Mr. Chairman and members of the subcommittee. My name is Patrick Grabill and I'm enjoying my 30th year as a Realtor in the central Ohio area.

By way of background, with the assistance of many talented professionals I have built a real estate brokerage currently approaching 800 sales associates. Our sales in the Columbus area exceed One Billion Dollars annually. The firm is currently known as Coldwell Banker King Thompson. One year ago I sold the organization to NRT, a wholly owned subsidiary of Cendant Corporation. This week I have announced my resignation from the firm to pursue other real estate development interests. I speak to you as a citizen, a Realtor and as a small business owner.

Over the course of building my prior business, I served my industry in various capacities in the Realtor Associations, including local Board President, State Trustee, National Director and member of numerous committees and taskforces, including the state and national associations' finance committees. I take no pleasure in the statements I make here today which are in direct opposition to the position of the National Association of Realtors (NAR). The leaders of the Association, both volunteer and staff are bright, decent, well-meaning people trying to do what is right. I believe the structure of this trade association and its self-perpetuating and self-protecting tendencies have dictated their conformance and desire to "close ranks" on this issue.

With respect to HR 3424 and S 1839, the National Association of Realtors has embarked on a vigorous campaign to position itself as the representative of the entire real estate industry. My purpose in coming before you is to underscore that there are numerous other opinions within NAR that are not being heard precisely due to the structure of the association.

Rather than putting forward a balanced information program on the issue, a campaign has been launched by NAR entitled "Stop The Big Grab". This well funded and highly focused effort comes complete with a cartoon character of an octopus meant to be the banks, reaching out to engulf the industry. Enormous political pressure is being brought to bear on association leaders at all levels and congressional members to support their position on this issue.

There is a pattern to this method of action. Back in the mid-90's the big bogeyman was the invasion of technology to the industry. Microsoft, AT&T and others were deemed "the lions coming over the hill" intent on usurping the industry with their technology. NAR's response was the creation of an organization, the Realtors Information Network (RIN), which promptly lost nearly $16,000,000 of its members' money.

As it turned out the troubled organization was bailed out by transferring the NAR endorsement to another organization that subsequently went public during the technology boom. This event enriched the Association, enabling it to justify the prior RIN troubles as a positive stepping-stone to success. A clever and fortuitous rewrite of history.

As in the current situation there were many voices of opposition to NAR's position. These opponents were ridiculed, labeled disloyal or out of touch and generally drowned out. The leadership charged ahead – right off a cliff as it turned out.

In addition, there have been numerous situations where the National Association of Realtors forged ahead to create such things as a multiple listing service company to compete with vendors supplying local board systems, member health and retirement plans with revenues to the Association and other ventures that were later determined to be anticompetitive, unwise or illegal. In most of these cases the information and funds lost was not disseminated widely among the membership.

The structure of the Association is based upon the "3-Way agreement". This **requires** a real estate salesperson to join all levels of the Association – local board, state and national Association of Realtors. Otherwise they cannot gain access to the local multiple listing system (MLS), or use the term "Realtor" which is a trademark owned by the National Association. (There are certain regional exceptions to local non-member MLS access due to district court decisions which were adverse to the National Association of Realtors position. But the majority of the country is under this mandatory membership requirement.)

This 3-Way Agreement generates an income stream to the National Association of Realtors that is substantial. I believe the dues income generated plus non-dues revenue and income from reserves exceeds $100,000,000 annually. This level of income obtained in small amounts from a vast number of people provides little accountability other than a 500+/- member Board of Directors meeting semi-annually. The leadership team is thus given great latitude to craft issues and their response. The general members have little voice and no ability to vote with their wallets. They can't leave the Association because they'll be cut off from the only source of local data exchange, the local Multiple Listing System. Thus NAR's claim to represent 800,000 members rings hollow.

I believe that NAR's position on this issue is as much about protecting the income and interests of the trade association as about protecting the ability of its members to represent buyers and sellers in real estate transactions.

If banks enter the real estate brokerage business they could ask questions currently being asked by many of the larger regional brokerages today. Today the NAR can largely ignore these concerns because there's only a few (maybe 100) large companies and NAR perceives its interests to lie with the masses (800,000 individual members). With larger, better capitalized firms such as banks asking questions of accountability and value for monies spent, these voices could grow louder, threatening NAR's role as the sole voice for organized real estate.

I do have concerns about banks broadening their scope of activities into the real estate brokerage and property management businesses. Protections against undisclosed "tieing" and firewalls should be required to protect against abuses, insuring a level playing field. But to assume bankers are less ethical, virtuous or less consumer friendly than Realtors is at the very least, a stretch.

It would seem to me that given a less scorched earth approach by the National Association of Realtors, a middle ground of compromise could be reached.

Open competition in the marketplace would, in my opinion, provide a method for consumers to employ who they believe will act in their best interest. I believe the competent, caring, community minded professionals I've worked with over the years will be the consumers' choice – if they are given a chance to make a choice. Realtors need not be concerned about competition, providing they stay responsive to the consumers needs.

To follow the NAR's logic, Realtors should not be allowed to participate in the mortgage or title insurance businesses. This is ludicrous because consumers have demonstrated they would like the homebuying process simplified, streamlined and more affordable. Vertically integrating the services surrounding the purchase of a home can provide opportunities for positive improvements in service. This protectionist legislation puts up unnecessary roadblocks to what I believe consumers want and need. In summary, at the end of the day, the fundamental question is with every other industry faced with new methods of competition and alternative delivery systems, why should traditional real estate be granted special protections?

Mr. Chairman, thank you again for allowing me to submit my opinions. I am available for any questions.